



STATE OF DELAWARE
PUBLIC SERVICE COMMISSION
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July 1, 2019

MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Malika Davis, Regulatory Policy Administrator 

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER &
LIGHT COMPANY FOR APPROVAL OF MODIFICATIONS TO ITS GAS
COST RATES (FILED AUGUST 24, 2018) – PSC DOCKET NO. 18-1049

On June 28, 2019, Delmarva Power & Light Company (“Delmarva” or “Company”) submitted a request for a waiver of the requirement to file for a change in the Gas Cost Rate (“GCR”). The request included the Comparison of Gas Expense and Recovery schedule (“the Schedule”). The Schedule shows a projected under-recovery of fuel expenses (7 months actual, 5 months estimated) of \$6.2 million or 6.1% for the gas cost year November 1, 2018 – October 31, 2019. Section XX D of the Company’s Gas Tariff states “If it appears at any time during the Application Period that the use of the GCR then in effect for the remainder of that period will result in a net under-collection of the Company’s gas cost by more than 6% of the latest estimate of the Application Period’s gas cost calculated using the actual gas costs incurred to date and the Company’s latest estimate of the gas costs and firm sales for the remainder of the Application Period... the Company shall apply to the Commission for a change in the GCR and the Commission shall fix a new GCR for the balance of the Application Period which will correct for under- or under-recoveries by amortizing them under a twelve-month period instead of zeroing them out by the end of the current Application Period.”¹

¹ Order No. 5061, issued March 1, 1999 in Docket No. 98-376F.

The request states that increased pipeline demand cost is the most significant driver of the projected under-recovery. In late 2018, two of the Company's interstate pipeline service providers filed a Natural Gas Act Section 4(e) general rate case with the Federal Energy Regulatory Commission (FERC). On August 31, 2018, Transcontinental Gas Pipe Line Company, LLC (Transco) filed Docket No. RP18-1126 to implement a rate increase to be effective March 1, 2019 subject to refund, which was approved by FERC. The impact on Delmarva is an increase in demand rates totaling \$2.9 million for the period March 1, 2019 through October 31, 2019. On November 30, 2018 Texas Eastern Transmission, LP (Texas Eastern) filed Docket Nos. RP19-343-000 and RP19-343-001 that included its proposed increased demand charges which were accepted by FERC on December 31, 2018 with an effective date of June 1, 2019. The impact on Delmarva is an increase in demand rates totaling \$307,000 for the period June 1, 2019 through October 31, 2019. The increased monthly demand cost has caused Delmarva to exceed the 6% threshold for under-recovery during the current GCR year.

Delmarva has provided the following reasons for requesting the waiver:

1. An interim period modification of rates at this time would do little to reduce the size of the under-collection by the next GCR period (which begins on November 1, 2019).
 - a. The earliest the Company would be able to generate an application for refiling of 2018-2019 GCR rates would be July 31, 2019, with a requested effective date of October 1, 2019. This additional filing and new rates would be only one month earlier than the required annual GCR 2019-20 filing in August with a November 1, 2019 effective date.
 - b. Any interim rate change must be set to reduce the under-recovery over the subsequent twelve-month period, rather than by the end of the existing GCR period and thus would have only minimal impact by the end of the current GCR period.
2. Pursuing an interim modification of the GCR for such little benefit would be an inefficient use of the time and resources of the Commission, Commission Staff, the Public Advocate, and Delmarva.
 - a. Accomplishing an interim GCR modification would require a significant amount of time and resources, including (i) preparation and filing of the necessary application by Delmarva; (ii) review by Commission Staff and its consultant; (iii) review by the Public Advocate and its consultant; and (iv) review and approval by the Commission.
 - b. If the Commission were to approve the interim GCR increase, placing the increase into effect would also require (i) notification of customers through separate letter and billing message; and (ii) programming of new interim rates into Delmarva's billing and accounting systems.

The Company has previously requested, and the Commission has approved, waivers for similar reasons in past GCR cases. Based on Staff's review of the Company's request and the monthly GCR reports Staff recommends that the Commission grant the Company's requested

waiver of the requirement to file for an increase in the GCR to recover the under-collected portion of the deferred fuel balance.